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**COMMISSIONER PAULA FLOWERS MOVES TO LIQUIDATE THREE
VIRGINIA RECIPROCAL**

NASHVILLE – Tennessee Commissioner of Commerce and Insurance Paula A. Flowers filed court petitions Friday to liquidate three related Tennessee-chartered insurance reciprocal companies that insure thousands of lawyers, doctors, counselors and medical facilities nationwide.

In three separate filings, Flowers asked the Davidson County Chancery Court to convert the existing receiverships of American National Lawyers Insurance Reciprocal (ANLIR), Doctors Insurance Reciprocal (DIR) and The Reciprocal Alliance (TRA) into liquidation proceedings, concluding that all three are insolvent, cannot be rehabilitated, and that their continued operation would be hazardous to insureds, creditors and the public.

The situation of all three malpractice insurance companies is essentially the same. The three Tennessee-chartered reciprocal companies have no employees or infrastructure of their own, were operated by a Richmond, Virginia-based The Reciprocal Group, and were substantially re-insured by Richmond, Virginia-based Reciprocal of America. Virginia insurance officials have declared that ROA and TRG are "deeply insolvent" and have filed for liquidation of those firms.

"The reported insolvency and liquidation of ROA made the liquidation of the three reciprocal companies unavoidable," Flowers said Friday. "Without the hope of meaningful reinsurance coverage from ROA, the reciprocals cannot be rehabilitated. We are working diligently to secure all of the assets to which the reciprocal companies are entitled."

The court filings point out that the appointed Deputy Receivers for ANLIR, DIR and TRA still do not have the necessary access to the records of the reciprocals or to the employees of TRG that operated the three reciprocals. But based on the financial information available, they have concluded that ANLIR's known liabilities exceed its assets by at least \$35.9 million, DIR's known liabilities exceed its

assets by at least \$71.2 million, and TRA's deficiency is at least \$25.5 million. In each case, the Deputy Receivers believe there may be millions more in additional claims against the firms.

The companies provided malpractice coverage to thousands of doctors, lawyers, school counselors and medical facilities nationwide. At the time they entered state receivership, ANLIR had 14,642 subscribers, DIR had 3,690 and TRA had 17,393. Subscribers can be a single person or an entire law firm or physician office or professional association.

The Deputy Receivers are continuing their legal actions before Virginia's State Corporation Commission, in which they seek full access to the reciprocals' records and to the key employees who operated the firms. Also at issue is a \$57 million trust account believed to have been created by ROA to benefit the three Reciprocal companies. The assets in that account have been removed by Virginia insurance officials.

The petitions are scheduled to be heard in Davidson County Chancery Court on May 30.

Under the terms of the petition, all policies of the three companies would expire by the 30th day after the liquidation order is granted by the court. The three Deputy Receivers would be retained as Deputy Liquidators for the companies, and would continue to pursue the companies' assets and determine the status of claims and the classification of creditors of the companies.

All three of the Tennessee-chartered malpractice insurance companies are structured as insurance reciprocals – an insurance structure created by federal law.

Full copies of the Liquidation filings are available on the website of the Tennessee Department of Commerce and Insurance, at

<http://www.state.tn.us/commerce/insurance/reciprocals/>